Depot Square Phase I Financial Proposal

RENAISSANCE DOWNTOWNS

D'Amato Realty

LEXINGTON PARTNERS LLC

APRIL 24, 2014

TABLE OF CONTENTS

Introduction

The purpose of this Financial Proposal is to provide an understanding of the opportunities and challenges the Public/Private Partnership faces in relation to the development of Phase I of Depot Square. Renaissance Downtowns at Bristol LLC (RD) has joined forces with D'Amato Realty and Lexington Partners LLC (hereinafter referred to as "RDL"), two of the premier local and regional development firms in an effort to bring the best expertise and local knowledge to the table for this exciting opportunity.

Utilizing local, regional and national expertise, the RDL team has spent considerable time analyzing Phase I of the Depot Square development in the context of the overall revitalization and within this package has provided financial analysis in the form of financial pro forma modeling, as well as analysis of equity and debt investment criteria for a project of this nature. The pro forma assumptions are detailed and have been put through peer review and compared against the past efforts of both VJ Associates Construction Estimating and Zimmerman Volk Associates/CLUE Group Market Feasibility Studies.

The primary challenge that Phase I faces is proving to the equity investors and institutional financing markets for debt financing that both residential and retail rents are sufficient to support new construction in a market that has not seen similar product built. This package will further outline these challenges and the potential solutions for the partnership's consideration. It is important to note that as with many developments, the challenge lies in getting the initial shovels in the ground and once the market proves itself out, the opportunity for future phases becomes a much easier lift.

TABLE OF MILESTONE DEADLINES

The following tables outline both the major milestones and preferred developer agreement deadlines set by the Public/Private Partnership at the outset of the downtown revitalization efforts. The vast majority of the milestones and deadlines thus far have been met on-time or ahead of schedule due to the extraordinary collaboration that has taken place between the Public/ Private Partnership and the community alike.

Tasks	Responsible Party	Approval Time Frame	Status
Submit Project Team and Consultants to BDDC (2.02)	Developer	Prior to Execution of Agreement (May 25, 2010)	Completed March 15, 2010
Commence McDonald's Negotiation (1.06(d))	Developer	Prior to Execution of Agreement (May 25, 2010)	Commenced March 25, 2010
Approval of Project Team and Consultants (2.02)	BDDC	Upon Execution of the Agreement (May 25, 2010)	Approved May 25, 2010
Commence meeting with Private Property Owners	Developer	Upon Execution of the Agreement (May 25, 2010)	Commenced Q1 2010
Review of Existing Environmental Reports (1.06(a))	Developer	Within 60 days of the Scope of Studies Approval Date (Sept 11, 2010)	Commenced Q2 2010
Submit Scope of Studies for the Concept Plan (2.03)	Developer	Within 30 days of execution of agreement (Jun 24, 2010)	Completed June 18, 2010
Approval of the Scope of Studies for the Concept Plan and Project Plan (2.03)	City Parties	Within 30 days of Submission of Scope of the Studies for the Concept Plan (Jul 18,2010)	Approved July 13, 2010
Commence collaborative Concept Planning Coordination Meetings	Parties	Within 30 days of Approval of Scope of Studies (Aug 12, 2010)	Commenced Q2 2010
Open office in Downtown Bristol (1.06(b))	Developer	Within 90 Days of Execution of Agreement (Aug 23, 2010)	Lease Executed June 28, 2010
Submit Project Schedule for Concept Plan Phase (1.06)	Developer	Within 90 Days of Scope of Studies Approval Date (Oct 11, 2010)	Completed May 25, 2010
Develop website/outreach programs (1.06(f))	Developer	Within 90 Days of Scope of Studies Approval Date (Oct 11, 2010)	rdatbristol.com launched June 2010
Commence Discussions RE: Dunkin Donuts Parcel (1.06(e))	Developer	Within 90 Days of Scope of Studies Approval Date (Oct 11, 2010)	Commenced Q3 2010
Commence discussions for zone text changes (2.06(e))	Developer	Within 30 days of Approval of Scope of Studies (Aug 12, 2010)	Commenced Q2 2010
Commence Application for zone text changes (2.06(e))	Developer	Within 90 days of Approval of Scope of Studies (Oct 11, 2010)	Deadline Amended to November 9, 2011, Completed April 28, 2011
Submit updated concept plan information for EIE (1.06(c))	Developer	within 120 days of Scope of Studies Approval Date (Nov 9, 2010)	Parties determined No Action Necessary to change the scope of the EIE
Submit Concept Plan (2.04)	Developer	Within 9 months of Effective Date (February 2011)	Deadline Amended to be within 11 months of Effective Date Completed April 25, 2011

Prepare and Submit Project Plan (1.04)	Developer	Commence within 9 Months of Scope of Studies Approval Date, if required; Completion within 18 Months of Scope of Studies Approval Date, if required (April 2011)	Parties determined a project plan was not necessary
Commence Infrastructure Improvement Analysis (2.08)	Developer	Within 9 Months of Scope of Studies Approval Date (April 2011)	Submitted as part of Concept Plan April 2011
Continued collaborative Concept Planning coordination meetings (2.06)	Parties	Within 2 years of Effective Date (May 2012)	Continued through October 2011
Modifications to proposed Final Concept Plan	Parties	Within 2 years of Effective Date (May 2012)	Continued through October 2011
Submit Concept Project Schedule (2.07)	Developer	Prior to Approval of Final Concept Plan	Completed May 25, 2010
Approval of Final Concept Plan (2.06)	Parties	Within 2 years of Effective Date (May 2012)	Concept Plan Approved October 11, 2011
Analysis of any known zoning modifications or other approvals required for the Approved Final Concept Plan (2.06)	Developer	Within 60 days of Final Concept Plan Approval (December 11, 2011)	Submitted as part of Concept Plan April 2011
Commence with timely submission for any known required zoning modifications or other approvals required for the Approved Final Concept Plan (2.06)	Developer	Within 60 days of Analysis of All Approvals Required (December 11, 2011)	Deadline Amended to Be November 9, 2011 Initial Submission as part of Concept Plan April 2011
Initial Closing Date (7.02A)	Parties	Within 48 months after Effective (May 2014)	Future Due Date
Subsequent Closing(s) Date(s) (7.02C)	Parties	Each within 12 months after the Initial Closing(s) Date, or previous Subsequent Closing(s) Date, subject to delay as more fully set forth in Section 7.02B and 7.02C (May 2015)	Future Due Date
Outside Commencement of Construction Date (7.02D)	Developer	Within 5 years of Effective Date, subject to delay as more fully set forth in Section 7.02D (May 2015)	Future Due Date

TABLE OF ADDITIONAL DEADLINES ESTABLISHED BY THE PDA

Tasks	Responsible Party	Approval Time-	Status
Commence Preparation of the Project Plan	Developer	Feb-11	Parties determined project plan was not necessary
Completion of Project Plan	Developer	Nov-11	Parties determined project plan was not necessary
Notification of further Environmental Testing	Developer	July 24, 2010	No Further Testing was re-quired at that time
Provide Notice to City on the Change of Scope for the EIE	Developer	120 days from scope of study approval date (Nov 9, 2010)	Parties determined Scope of EIE was sufficient
Contract and/or employment opportuni-ties, as they become available	Developer	Within 90 days after the scope of study approval date (Oct 11, 2010)	Mark Waleryisiak hired- May 2010 Charlie Talmadge hired - April 2011
Hold project meetings and presentations to provide information on the project at least biannually	Developer	Within 90 days after the scope of study approval date (Oct 11, 2010)	Presentations to Community Groups Began Spring/ Summer 2010. See page 64 for summary of meetings
Other outreach efforts to engage the community	Developer	Within 90 days after the scope of study approval date (Oct 11, 2010)	Presentations to Community Groups Began Spring/ Summer 2011. See page 64 for summary of meetings
At least 1 member of project team to attend Monthly BDDC Meeting	Developer	Second Monday of each month	1 or more members of the Renaissance team has and continues to attend each meeting
Complete and submit studies	Developer	Feb-11	Deadline was amended to 11 months from effective date consistent with the exten-sion of the Concept Plan Submission. Studies were completed in March and April of 2011 and submitted as appendices to Final Concept Plan April 2011

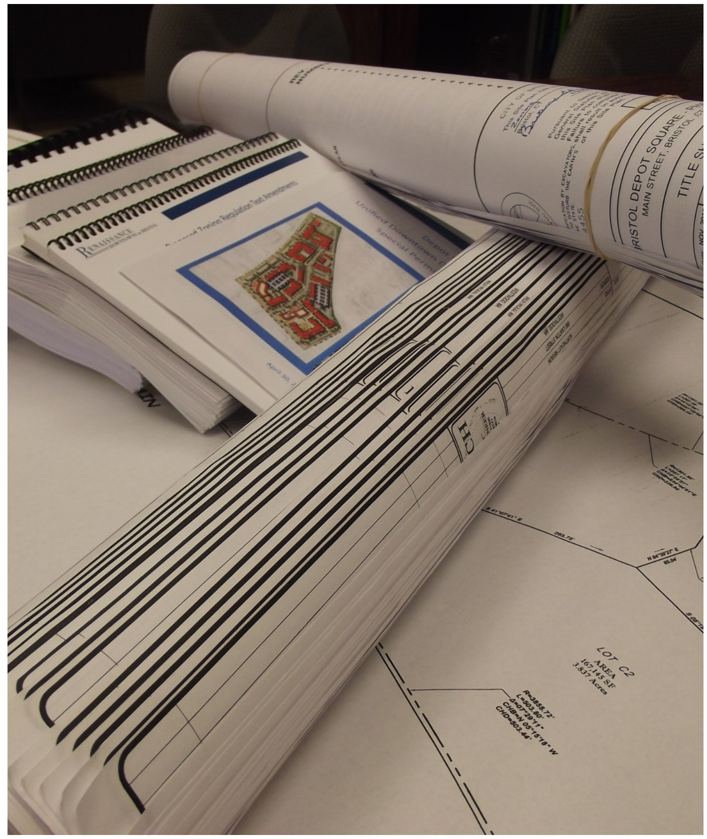
Pay, Bond, or otherwise cause to be discharged any mechanics lien	Developer	60 days after receiving notice of applicable filing	Not Applicable. Submitted lien waiver in supplemental submission
City to provide comments in response to Concept plan submission	City Parties	5 days after receipt at BDDC and Council meetings following submission (May 11, 2011)	Comments from BDDC Received May 23, 2011 Comments received from departments July 31, and August 1 2011
City to respond to Request for approval of Proposed Final Concept Plan	City Parties	45 days after submission of Proposed Final Concept Plan (November 12, 2011)	Concept Plan Scheduled for approval October 11 and 12, 2011
Provide lien waiver and/or affidavit of payment from each member of the project team	Developer	Prior to concept plan approval (October 2011)	Submitted with Supplemental Submission September 2011
Provide written reports detailing final concept plan	Developer	Prior to concept plan approval (October 2011)	Submitted as part of Concept Plan
Provide timeline and phasing schedule	Developer	Prior to concept plan approval (October 2011)	Submitted as part of Supplemental Submission September 2011
Provide access notices	Developer	2 days prior to any due diligence actions	An access notice was provided for Phase 1 Environmental (non-invasive) conducted by CHA June 11, 2012
Selection of Appraisers	Developer	30 days following submission of concept plan (May 28, 2011)	Deadline Amended to January 9, 2012 Deadline Amended to March 9, 2012 Notification of Goodman-Marks Selection submitted October 24, 2010
Selection of Appraisers	City Parties	30 days following submission of concept plan (May 28, 2011)	Deadline Amended to January 9, 2012 Deadline Amended to March 9, 2012 Wellspeak, Dugan, and Kane selected February 14, 2012
Notification of Appraiser selection	Developer	Within 45 days of concept plan approval (November 25, 2011)	Notification of Goodman-Marks Selection submitted October 24, 2010

TABLE OF ADDITIONAL DEADLINES ESTABLISHED BY THE PDA contd.

Notification of Appraiser selection	City Parties	Within 45 days of concept plan approval (November 25, 2011)	Wellspeak, Dugan, and Kane selected February 14, 2012
Selection of a third Appraiser	Developer and City Parties	Within 30 of previous notification (March 15, 2012)	Submitted May 9, 2012 Final letter received May 24, 2012
Selection of a third appraiser	Developer and City Parties	Within 30 of previous notification (March 15, 2012)	Submitted May 9, 2012 Final letter received May 24, 2012
Commencement of Appraisal Process	Developer and City Parties	Within 30 days of date of all approvals (July 12, 2012)	Process began July 11, 2012
Submission of Appraisal	Developer	120 after commencement of appraisal process	Deadline Amended to 150 days after commencement of appraisal process Appraisal Submitted December 7, 2012
Submission of Appraisal	City Parties	120 after commencement of appraisal process	Deadline Amended to 150 days after commencement of appraisal process Appraisal Submitted December 4, 2012
Third Party Appraisal Review	Developer and City Parties	60 days after submission of appraisals if necessary	No Action Necessary
Submission of Financing and Leasing Plan	Developer	Prior to closing	Future Due Date
Commencement of Construction	Developer	Within 90 days of closing	Future Due Date
Submit written notice of title exceptions	Developer	Within 90 days of scope of study approval date (October 11, 2010)	Title Exceptions submitted October 13, 2010
Correction of title exceptions	City Parties	60 days after receipt of written notice (December 12, 2010	Correspondence from city RE: Title June 6, 2012
Remove any Encumbrances or Liens	Developer	60 days after receipt of written notice	No action necessary
Closing	Developer and City Parties	Within 90 days after the latest condition of closing is satisfied	Future Due Date
Record Contract on the land records upon request of developer	City Parties	Within 30 days of effective date	Not Requested

SIGNIFICANT LAND USE APPROVAL MILESTONES

The process of land use approvals is also a key component in the progression of the Downtown Revitalization. The Public-Private Partnership has taken an extremely proactive approach in ensuring that all of the necessary approvals are in place, continuing progress for the Depot Square Project. The land use approval process began in 2010 when amendments to the downtown zoning regulations were originally discussed as part of the Concept Plan Submission. Those proposed amendments then became a critical piece of the puzzle and established a process for developing large parcels of land in the downtown area. With the approval of the Unified Downtown Development Project Special Permit, Renaissance was able to proceed with site plans and associated approvals for specific pieces of the overall development. The significant approvals are outlined below:



Concept Master Plan for Downtown—Approved October 11, 2011

BD-1 Zone Text Amendments—Approved February 15, 2012

Depot Square Unified Downtown Development Project Special Permit—Approved June 13, 2012

Variances for McDonalds Site Plan—Approved August 1, 2012

McDonalds Site Plan—Approved August 8, 2012

Special Permit for Hotel—Approved January 9, 2013

Special Permit for Shared Parking—Approved January 9, 2013

Site Plan Approved by the Board of Police Commissioners—January 15, 2013

Site Plan Approved by the Transportation Commission—January 22, 2013

Site Plan Approved by New Britain Transportation Company—January 22, 2013

Phase 1 Site Plan—Approved February 13, 2013

Site Plan Approved by the Board of Public Works Commissioners—March 21, 2013

Subdivision of Depot Square approved by Inland Wetlands Commission—January 18, 2014

Subdivision of Depot Square Approved by Planning Commission—February 26, 2014

Major Traffic Generator Permit Application submitted to Office of State Traffic Administration September 13, 2013, Awaiting Approval

Special Permit for Parking on a Separate parcel submitted to Zoning Commission March 31, 2014, Awaiting Approval

FINANCIAL EXPENDITURES TO DATE & THE DEVELOPMENT TEAM

Below please find a summary of Renaissance Downtowns expenditures related to the downtown revitalization efforts over the past 4 years. Renaissance has a deep commitment to seeing the revitalization of downtown Bristol come to fruition and has spared little to no expense in its efforts. The local personnel that the Renaissance team was fortunate to identify and employ has played an integral role in not only the efforts to develop Depot Square but in the vast amount of economic development that has occurred throughout Bristol.

Depot Square- Project Costs Incurred To Date
As of 3/31/14

	Actual Costs	
Description	**Amount**	**Total**
Planning/ Architect		**$ 294,325**
- Third Party Planning Costs	$ 224,096	
- Third Party Architectural Costs	$ 70,229	
Market Research/ Economic/ Crowdsourcing		**$ 284,268**
- Third Party Market Research/ Crowdsourcing Costs	$ 202,532	
- Third Party Economic Costs	$ 81,736	
Engineering/ Environmental/ Other		**$ 151,425**
- Third Party Environmental/Engineering Costs	$ 137,410	
- Third Party Other Costs	$ 14,015	
Marketing & PR		**$ 99,109**
- Third Party Costs	$ 99,109	
Miscellaneous Costs		**$ 99,164**
- Third Party Demolition Costs	$ 37,689	
- Third Party Appraisal Costs	$ 61,475	
Legal/ Accounting		**$ 140,935**
- Third Party Costs	$ 140,935	
Administrative/ G&A Costs		**$ 174,549**
- Local Office Costs	$ 65,218	
- Administrative/ Insurance	$ 35,328	
- Meeting/ Travel Costs	$ 45,304	
- Contributions	$ 28,700	
Internal Project Management & Support		**$ 823,151**
- Project Management & Support	$ 823,151	
Total Costs	**$ 2,066,926**	**$ 2,066,926**

Phase I Development Team

For the past 12+ months, the Renaissance team has been exploring ways to finance the initial development of Depot Square and has faced multiple challenges that have hampered the ability to initiate construction. This effort, along with these challenges, are outlined throughout this submission. Several months ago, Renaissance began more actively engaging potential local development partners in an effort to expand the breadth of expertise and financing capabilities. Through these discussions, the Development team has been expanded to include two of Connecticut's premier real estate firms, D'Amato Realty and Lexington Partners. For reference purposes throughout this submission we will refer to this team as RDL.

Renaissance Downtowns: Renaissance Downtowns is the branded leader in the holistic and comprehensive redevelopment of large scale, mixed-use suburban downtown environments. Led by President and CEO Donald Monti, who has nearly four decades of experience and over 80 completed projects covering all aspects of real estate development, Renaissance has been designated as Master Developer in numerous municipalities throughout the northeast (including Nashua, NH, Bristol, CT, Hempstead, NY, Huntington Station, NY, Southampton, NY and in Uniondale, NY as the Master Developer for the non-arena uses at the Nassau Veterans Memorial Coliseum development site), in addition to the Team's involvement with the award winning Garvies Point mixed-use, Transit-Oriented Development in Glen Cove, NY. This pipeline represents $10 Billion+ of overall development opportunity. Hallmarks of the Renaissance approach are the Company's ability to work within sensitive community neighborhoods and their proven success regarding collaboration within and in addition to Public-Private Partnership structures.

Renaissance Downtowns Crowdsourced Placemaking (CSPM) is the nation's leading program designed to engage surrounding communities and businesses to garner input on proposed projects and plans through face to face meetings and the utilization of web based applications.

D'Amato Realty: D'Amato Realty has been in the real estate and development industry for almost 50 years. It's team of talented individuals ranges from seasoned and experienced to young and energetic - with accumulated experience of over 100 years in the real estate industry. As a third generation family run Bristol firm, the company has a reputation of taking less than appealing properties and turning them into beautiful multi-use facilities. With D'Amato Realty, there is no learning curve as the company is keenly aware of Connecticut markets.

Led by Edward D'Amato Sr., Edward D'Amato Jr., and Thomas D'Amato, D'Amato realty has extensive experience in both local and regional markets. D'Amato Realty professionals are experienced in the central Connecticut demographics and know how to succeed because the Company lives and works in the markets in which they serve, and is not some large outside conglomerate.

Lexington Partners LLC.: Led by Martin J Kenny, Lexington Partners is one of the more active and premier multifamily/mixed-use developers in Connecticut. As a commercial Real Estate Development Company active throughout New England and selectively in Florida, Lexington Partners under Mr. Kenny's 30+ years experience, is focused on multi-family rental development and acquisition projects and is currently involved in the entitlement and development of 750+ market rate apartments in 4+ locations in Hartford and New Haven Counties.

Several of Lexington Partners recent development projects are described in further sections of this package proving that Lexington Partners is a prime addition the Depot Square Phase I development.

UPDATED COST ESTIMATES

The following charts outline estimated construction costs for Phase I of the Depot Square development as updated by VJ & Associates (VJ) in November of 2013. Phase I consists of 2 buildings containing a total program of 240 market rate multi-family rental units with approximately 23,000 sf. of retail and service space. RD received site plan approval for Phase I in the first quarter of 2013. Building "A" is a 4 story stick frame constructed building containing approximately 100 units with approximately 2,000 sf. of retail/service space on the ground floor. Building "B" is a 5 story building with 4 story stick frame construction of approximately 140 units built on top of 1 ground floor podium containing 22,000 sf. of concrete constructed retail/service space. VJ's estimates contained hard construction costs as well as some, but not all, of the typical development soft costs (not to be confused with construction soft costs) associated with developments of this type. In October of 2013, RD commissioned VJ Associates to update its cost estimates from the original 2012 estimates.

One benefit to the expanded Phase I development team lies in the fact that Lexington Partners and D'Amato Realty (through its D'Amato Construction Efforts) have current construction projects in the works that can provide a significantly more detailed and real world update to the latest cost estimates. Infact, Lexington Partners is currently constructing similar multifamily product in central Connecticut as a current comparable. Utilizing these comparable projects, RDL has created a detailed estimate of the Building A construction costs. The partnership has focused on cost estimates for Building A for reasons described in the following section this submission.

As a result of these updated estimates and value engineering, RDL has determined that hard construction costs of Building A of $14.5 million, including construction soft costs (see chart). In comparison to VJ's hard cost estimates, RDL removed the construction soft costs and contingency number to create an apples to apples comparison. The result revealed that the total hard cost estimates are within approximately 2% of each other. As the building plans have taken on significantly more detail (still shy of construction drawing) than that of the building, VJ estimated it would not be relevant to compare detailed estimates.

One item of note is in value engineering the building and estimated costs, one issue that surfaced was the poor soil quality from a constructability standpoint, due in part to the extensive construction debris from the former mall, as well as the condition for the site related to the old buildings that once existed pre-urban renewal. This has led to a significantly higher site work estimates.

Depot Square Apartments, Bristol, Connecticut	Preliminary Construction Estimate			4/23/2014
Summary				
Number of Units:	101	**Total Construction Cost:**		**$14,521,664**
GBA:	91,214		**GBA $/SF:**	**$159.20**
NRSF:	69,510	**NRSF $/SF:**		**$208.91**
Efficiency:	77%			
Number of Buildings:	1	**Hard Cost Per Unit**		**$143,789**
Const Duration in Months:	18			

Per Gross Building Sq Ft

	%	Cost	Cost/SF
Construction Soft Costs*	9.39%	$1,363,920	$14.95
Building Permit	1.09%	$158,712	$1.74
Interiors	47.11%	$6,841,050	$75.00
Skin	9.35%	$1,357,982	$14.89
Sitework	26.17%	$3,800,000	$41.66
Environmental Remediation	0.17%	$25,000	$0.27
Elevators	1.89%	$275,000	$3.01
Contingency	4.82%	$700,000	$7.67
Total	**100.00%**	**$14,521,664**	**$159.20**

Per Net Rentable Sq Ft

	%	Cost	Cost/SF
Construction Soft Costs*	9%	$1,363,920	$19.62
Building Permit	1%	$158,712	$2.28
Interiors	47%	$6,841,050	$98.42
Skin	9%	$1,357,982	$19.54
Sitework	26%	$3,800,000	$54.67
Environmental Remediation	0%	$25,000	$0.36
Elevators	2%	$275,000	$3.96
Contingency	5%	$700,000	$10.07
Total	**100%**	**$14,521,664**	**$208.91**

Exterior

	SF	% Area	Cost	Cost/SF
Cement Siding / Trim/Azak	34,832	50%	$727,740	$20.89
Brick	34,832	50%	$630,242	$18.09
Total:	**69,664**	**100%**	**$1,357,982**	**$19.49**

Above: Updated Cost Estimate Building A **Below: Comparison to VJ October 2013 Updated Cost Estimate**

VJ ASSOCIATES

DEPOT SQUARE MASTER PLAN
UNIFIED DOWNTOWN DEVELOPMENT PROJECT
BRISTOL, CT

BUILDINGS AND ABOVE-GROUND PARKING INCLUDING SITE IMPROVEMENTS

PHASE #1

	DESCRIPTION		TYPE OF CONSTRUCTION	TOTAL CURRENT ESTIMATE	ORIGINAL APPRAISAL ESTIMATE	TOTAL VARIANCE FROM ORIGINAL VJ ESTIMATE	% VARIANCE FROM ORIGINAL VJ ESTIMATE	RDL TOTAL HARD COSTS	RDL HARD COSTS VARIANCE
	PHASE #1								
1	BUILDING 'A'	Multi-Family - Rental	Stick	12,256,876	10,730,028	1,526,848	14%	12,457,744	2%
2	BUILDING 'B'	Ground Floor - Retail / Restaurant Multi-Family - Rental	Stick over Commercial Podium	18,669,069	16,386,477	2,282,592	14%	N/A	N/A

Phasing Analysis Summary

As the development team exhaustively explored financing options for the first phase of the Depot Square project, it was determined that it would not be possible to obtain equity and debt financing for the first phase of development. This determination was made through extensive discussions with developers, private equity invertors, and construction lenders. Developer and lender outreach occurred not only through extensive relations that the RDL possesses but through extensive meetings at recent industry conferences such as the Multifamily Executive Conference and the National Multifamily Housing Conference earlier this year. Industry expert feedback has ranged from local such as D'Amato Realty to regional such as Lexington Partners to multiple national developers and equity providers. Most recently, Renaissance performed a full analysis and due diligence of the project with two of the top multifamily/mixed-use developers in the country including The Bainbridge Companies and Alliance Residential. Alliance for example was the 2013 top developer for new project starts with over 5,200 units in 2013.

The majority of the feedback received from local, regional and national experts resulted in the same primary concerns. One Bristol has not seen new quality large scale market rate multifamily/missed-use development in decades. Second, Bristol's area medium income levels (AMI) and current multifamily/retail rents will not support conventionally financed, new market rate multifamily/missed-use development. This sentiment was echoed by developers and lenders alike (see Eastern Bank letter example later in submission).

Since Renaissance began its efforts in Bristol four years ago, its team was keenly aware of the need to prove that higher rents were achievable. The multitude of efforts put forth over the years, including housing surveys and letters of interest for both residential and retail as described in the non-confidential submission, helped increase the rental projection in the eyes of both analysts and investors alike (detailed in the following section). That said, while there exists additional market confidence that rents for new product in Downtown Bristol, which has already seen significant improved vibrancy, are higher than originally anticipated, these rents still don't achieve levels whereby it is possible to finance the development of Phase I through conventional financing methodologies.

In response to the challenge of financing the initial phase of development, RDL has spent considerable time analyzing alternate phasing opportunities and has determined that the most feasible approach to financing and commencing construction would be to split Phase I into two sub-phases of Phase IA and Phase IB. Phase IA, which would be built first, would consist of developing Building A containing approximately 100 residential rental units and approximately 2200 square feet of retail space, along with associated parking, public parking/temporary event space and an enhanced public green space. This would leave Phase IB to contain 140 residential rental units and approximately 20,000 square feet of retail space, along with associated parking, the permanent piazza event space and an enhanced public green space.

As the rent achievement levels are still not sufficient, implementing this development strategy would still require financing assistance through a non-conventional financing methodology several of which are described later in this package. With that in mind the development team believes that while developing a smaller sub-phase may impact the economies of scale related to returns and costs, it will likely cause equity and debt investment to be more likely to take on an investment of this pioneering nature. Additionally, construction costs per square foot are less for this initial building due to the difference in construction typology, thus allowing for cost savings.

If the public/private partnership is able move forward with this sub-phase, it will prove to the financing community that Bristol is ready for larger investment. Building 100+ units and associated retail and achieving its stabilization within a reasonable timeframe can redefine the marketplace and attract additional capital to Bristol .

The following pages show the proposed interim phasing of Phase I. The more significant site plan changes that occur in this sub-phase strategy are primarily related to road configurations and parking locations. In addition, the following pages provide an initial rendering of Building A and as is indicated in the construction cost estimates, the buildings facades are currently anticipated to contain a combination of Cement siding (similar to hardy plank product) and brick at approximately a 50/50 ratio. While this building contains significantly more detail and value engineering than previous plans, there will still likely be adjustments made during construction documentation which can begin in earnest once a financing strategy is agreed upon.

Phase 1A - Building A - Residential & Retail

Summer movie nights in Bristol

Community gatherings on the lawn

Building A is proposed for +/- 100 residences & +/- 2,200 SF of retail with Main St parking & improved community green space

Temporary Event Piazza & Improved Community Green Space

Festival & event space in the proposed parking lot south of Building A

Temporary events similar to the Pop-Up Piazza can be held on this site

Temporary event piazza & improved community green space

View of Building A

Proposed residential & retail Building A showing a combination of brick and siding

Phase 1B - Building B - Residential & Retail

Phase 1B showing Building A, Building B, Piazza & improved community green space

For the purposes of analysis by the public/private partnership of potential financing options for the development of Phase IA of the Depot Square project, the development team has explored several phasing and financing options as summarized on the following pages. Initial discussions on each of the options have taken place on some level via meetings or written correspondence between the City of Bristol, the Bristol Downtown Development Corp. (BDDC) and the development team. Preliminary phasing and financial analysis of options for consideration and discussion by the partnership were then created. Please note that the major focus of the financial analysis has been put on the residential component of the project, as this program component makes up the majority of the project's square footage.

Project Benefits

Downtown revitalization provides significant "triple bottom line" benefits (social, environmental and economic) to communities that embrace comprehensive and holistic mixed-use development. As has been demonstrated by successful revitalization efforts across the country, municipalities that take this proactive approach that utilizes placemaking to drive economic development, reap significant rewards through the injection of new economic drivers that catalyze short and long term growth while improving quality of life. By creating an attractive and vibrant downtown that contains a mix of uses, tax revenues are generated with much of the additional revenue falling directly to the municipality's bottom line, as compact, downtown development is far more efficient and cost effective to sustain than traditional suburban sprawl development. While many of the potential financing solutions may defer direct real estate tax revenues for a period of time, the long term revenues will be significant once any initial burn off of tax deferment is completed. New tax revenues are also generated by a self-reinforcing cycle of new residents, who in turn, support retail business, which draw additional commercial business and provide for an even more vibrant environment. This expansion of the local economy spurs sustainable job creation and an increase in property values which not only benefits local property owners, but further reinforces the growing tax base. In addition to the job creation and new tax revenues that are derived from downtown redevelopment, significant social benefits accrue for the community as a whole. New developments provide amenities for all to enjoy, while the creation of well utilized, public space creates a neighborhood gathering place and a prime location to host large scale events both of which help create a sustainable "brand identity" for a community.

Residential Revenue Assumptions

As part of the economic analysis that was performed for the Final Concept Plan in 2011, RD commissioned Zimmerman Volk Associates (ZVA) to provide the residential market study for Depot Square project. ZVA is one of the premier residential analysts with extensive experience in multifamily product in unique markets such as Bristol. As both global and local market conditions have changed, RD commissioned ZVA to update its study in 2013 and these updated rent assumptions and comparisons to 2011 estimates are shown below. In the 2013 update ZVA stated; "*Significant progress has been made in the efforts to develop Downtown Bristol into the vibrant, walkable, mixed-use environment required to achieve optimal housing values. One indication of downtown's revitalization is the membership increase in the Renaissance Downtowns-sponsored crowd-sourcing website, Bristol Rising, from 600 to over 2,000 interested individuals; recently over 50 potential renters requested that their names be placed on a downtown housing priority list.*" ZVA also identified that the significant new retail additions could command the upper rent range and thus, **RDL is using an overall rent per square foot rate of approximately $1.85 per sf** .

ZVA 2011 - 2013 RESIDENTIAL ANALYSIS COMPARISON CHART						
HOUSING TYPE - RENTAL	2011 SIZE RANGE	2013 SIZE RANGE	2011 RENT/PRICE RANGE/MONTH	2013 RENT/PRICE RANGE/MONTH	2011 RENT /PRICE PER SQ . FT.	2013 RENT /PRICE PER SQ . FT.
Hard Lofts *	500–1,000 sf	350–750 sf	$700–$1,350/month	$625–$1,250/month	$1.35–$1.40	$1.67–$1.79
Soft Lofts †	600–1,200 sf	450–950 sf	$850–$1,650/month	$825–$1,675/month	$1.38–$1.42	$1.76–$1.83
Upscale Apartments	750–1,350 sf	650–1050 sf	$1,150–$1,950/month	$1,200–$1,900/month	$1.44–$1.53	$1.81–$1.85

Retail Revenue Assumptions

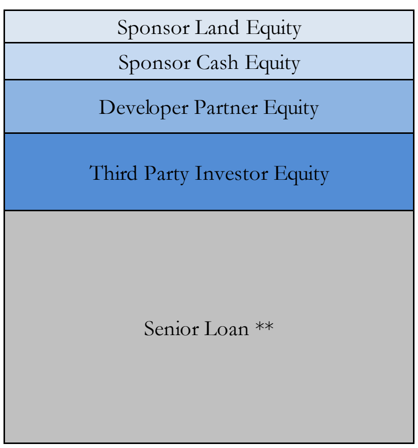
Additionally, RD commissioned Community Land Use and Economics Group (CLUE) to provide the market study for the retail component of the Depot Square project. In CLUE's 2011 retail analysis they summarized their rent analysis with the following statement; *"Prevailing retail rents in Bristol appear to be somewhat lower than those of the region. The average asking price per square foot in Bristol in February 2011 was about 3.3 percent below that of Hartford County and about 13.3 percent behind those of the State overall. Area realtors reported that average retail rental rates in recently-executed leases in Bristol range between $12.00-$13.50/SF (triple-net) but are edging higher. Asking prices per square foot for existing retail space on Rt. 6 currently ranges between $12.00-$16.00; asking prices for new retail space on Rt. 6 is around $25.00/SF.* Recently, the development team surveyed businesses on Main Street paying in the $12—$14/sf. range, as well as properties downtown near the intersection of Route 6 and North Main which are receiving rents in the range of $12-$17/sf. RD details its preliminary efforts regarding retail recruitment under separate cover in the non-confidential package. As the initial retail space in Phase IA will not be in the most visable location on Main Street, **RDL is using a more conservative estimate of approximately $12 per sf for retail rents.**

Summary

While each development is unique for analysis purposes, the development team has determined that as a baseline for financing analysis, it is best to consider the results of projecting financing for Phase IA utilizing a conventional financing methodology consisting of two sources of capital; traditional equity and traditional debt.

Sources of Capital

A conventional financing methodology for a mixed-use development containing multi-family rental and retail/service space would often be comprised of the following capital stack:



The traditional equity could be any combination of the above equity players highlighted in shades of blue. For the purposes of this analysis, the development team acts as the sponsor and developer partner, providing both land equity (contract rights) as well as the cash and developer equity in the form of cash invested (approx. $2mm to date) for predevelopment and entitlement costs. In this scenario, third party investor equity would satisfy the remaining needs for equity.

Return Parameters

Equity– 25-35% of the cost of the project

Constraints in conventional financing for real estate ventures since 2007 have changed the landscape of suburban development. The majority of equity funding for new projects is now provided by very risk adverse public funding sources such as pension funds and sovereign wealth funds. These funds have created an environment which only rewards absolute surety in a market driving equity funds to major metropolitan investments in New York City, Boston, Washington DC, Los Angeles and Chicago. Secondary and tertiary residential markets are considered to be higher than the allowable risk tolerance for investment and therefore are either not considered investment grade or require substantially higher than market returns. Typical returns for an equity investment of 25-35% are analyzed on 3 metrics:

1. Net Operating Income Annual Yield on Cost ("Yield)" (NOI/Total Project Cost)
    - Primary Market expectations for Yield range from 6.25% to 7%
    - Secondary Market expectations for Yield range from 7%— 9%
    - Tertiary Market expectations for Yield are greater than 12%

Since Bristol is considered a Secondary Market a private equity investment would need to realize an 7-9% Yield to be considered.

2. Internal Rate of Return ("IRR")
   - Primary Market expectations for IRR range from 18% to 21%
   - Secondary Market expectations for IRR range from 20% to 25%
   - Tertiary Market expectations for IRR are greater than 24%

Since Bristol is considered a Secondary Market, a private equity investment would need to realize an IRR in excess of 24% to be considered.

3. Equity Multiple ("EM") (Equity Returned/ Equity Invested)
   - Primary Market expectations for EM range from 2x to 2.25x
   - Secondary Market expectations for Yield range from 2.25x to 3x
   - Tertiary Market expectations for Yield are greater than 3x

Since Bristol is considered a Secondary Market, a private equity investment would need to realize an EM in excess of 2x to be considered.

<u>Debt– 60-75% of the cost of the project</u>

Similarly, conventional debt lending for real estate development has become very conservative in suburban markets. Post recession, the market has seen a drastic reduction in the number of construction lenders which has limited competition and therefore limited market activity. Construction lenders will provide up to 75% or less of the cost of construction and prefer Primary Markets. With Institutional Equity Sponsorship, at a high level percentage of Equity or Equity and Mezzanine financing to cost, construction lenders will lend in the Bristol market. Rates can be expected to be between 5% & 6% for construction lending and 4.5% & 5% for permanent financing.

<u>Conclusion</u>

Conventional Equity for a project of this scale and in this location needs to attain the returns noted in at *least* two of the three metrics. Phase I of Depot Square cannot reach any of the equity metric requirements for investment. In order to lower the risk involved in the project and also lower the Equity required, the development team analyzed applying conventional financing to one building at a time in Phase I, however this approach was still unsuccessful. The lack of comparable product in the market, lack of rail transit connections to Primary Markets, Area Median Income and very low existing rents prevent even Phase IA from being financed through conventional equity investment. The following pages discuss non-conventional approaches to development financing needed to ensure the success of the Depot Square Project.

Introduction

The State of Connecticut allows municipalities to use tax increment financing (TIF) to fund economic development projects. TIF uses the new or incremental tax revenue that a completed project generates to repay costs incurred to fund it. TIF allows this revenue to cover the cost of bonds sold to acquire, clear, and improve land for development. Connecticut allows municipalities to use TIFs to develop areas or individual parcels under different laws, enabling municipalities to participate in federal and state-funded redevelopment, urban renewal, and municipal development programs. Under this methodology for Phase IA of the Depot Square project, the City could consider issuing a TIF Bond to finance a portion of the cost for the Phase IA development.

The Bond payments or servicing of the Bond debt would be paid for by the new real estate tax revenues generated by both Phase IA of the project, as well as any increased real estate taxes above the current baseline for properties in the TIF district. The increased taxes for properties in the district are as a result of increased property valuation which is in turn a result of the value created by the redevelopment, in this case Phase IA.

To date, the public/private partnership has held a series of meetings to discuss the potential for TIF financing. It is also important to note that in order to entice development in the downtown area, the City already contains an Enterprise Zone 7 year abatement program that this development receives as of right.

RDL would like to work with the BDDC and the City to analyze a GO backed TIF financing option for Phase IA whereby the City would issue an approximate a $6million TIF Bond that would be added to the capital stack as mezzanine debt. In general, the procedure for issuance of a TIF Bond would include the following;

- Municipal designation of TIF district
- Underwriting of Bond
- Negotiations of Bond Docs
- Disposition of Bond
- Requisition of Bond proceeds for the development

What is extremely important to again note is that the strategy of a TIF district is to ensure that at minimum, a **significant amount of the debt service or payment of the bond is derived from taxes that the new development and new increased real estate values generate; taxes that did not exist before the development.**

Return Parameters

The return requirements for this scenario are very different from the conventional model. With the introduction of municipal financing, RDL is able to reduce the total additional equity needed for investment in Phase IA. This reduction in equity investment increases the return metrics. However, the project still struggles to attain an institutional grade investment level. By using this methodology, RDL believes that Phase IA can be successful. It's success will greatly reduce the perceived risk a while still investing significant private capital through equity and debt.

Preliminary TIF Boundary Analysis

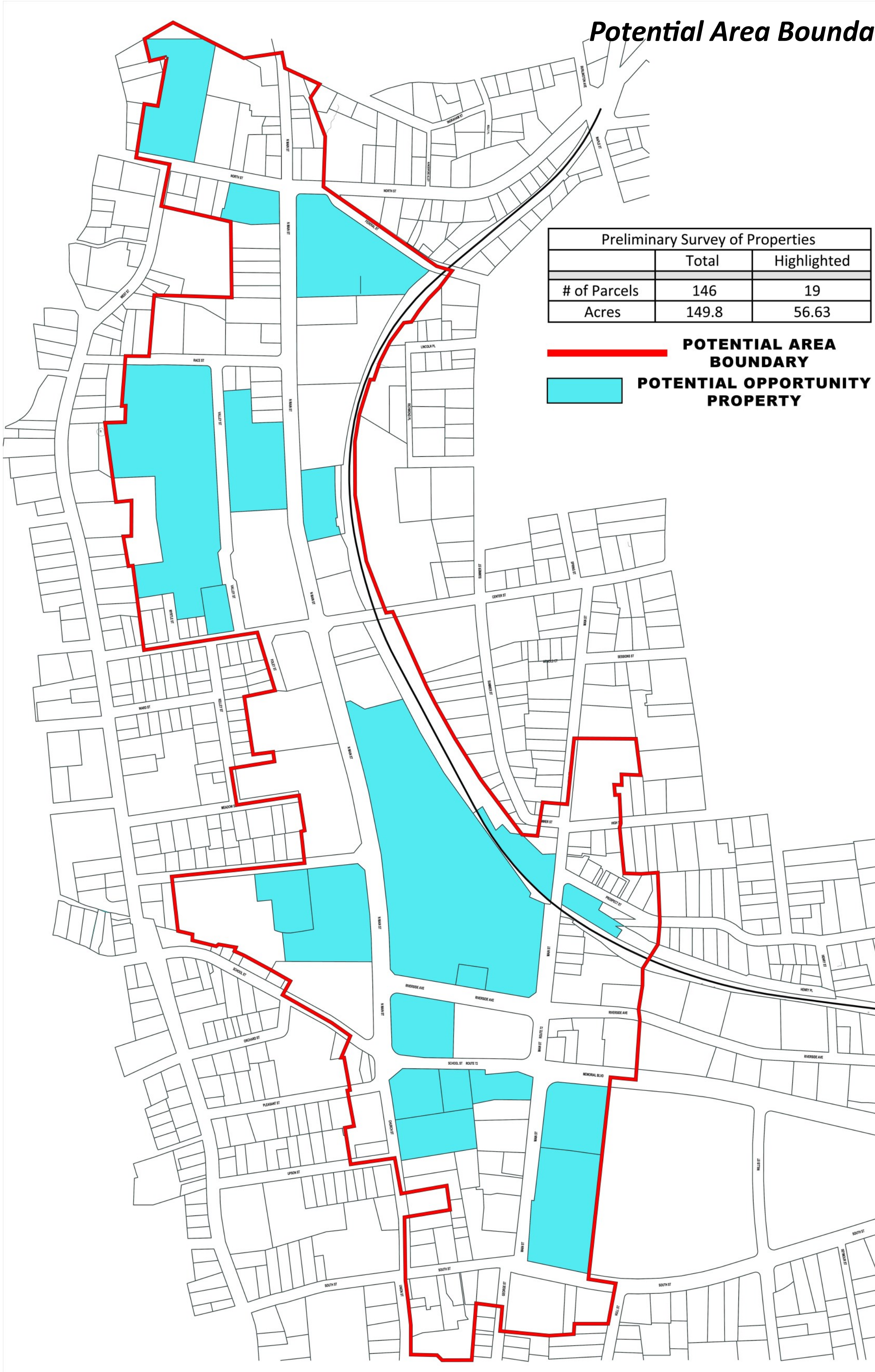
The basis for the preliminary proposed TIF District boundary shown on the following page, are the Downtown Business Zones established by the City of Bristol Zoning Regulations. As stated in those regulations, since the purpose of these zones is directly tied to developmental growth in the City center, it is perhaps most appropriate to use these already existing boundary lines when contemplating a new district. The parcels that are highlighted within the district are sites where potential development opportunities may exist, further strengthening Bristol's Downtown. If a similar district was adopted, these sites are estimated as sites that would receive a positive valuation impact from the revitalization effort and thus would be subject to potential TIF Bond servicing.

RDL has begun preliminary analysis of the potential proposed district and if the partnership moves forward to further explore this solution, there would need to be additional research and analysis done to determine the official district boundaries, program and corresponding parcels.

Preliminary Pro Forma Analysis

The following pages also outline a four year pro forma model for Phase IA of Depot Square. The development team has utilized as accurate of development costs as are possible without full construction drawings, as well as sources of funds that RDL currently feels are feasible for successfully financing Phase IA. The sources of funds would contain a combination of equity, soft money or mezzanine financing provided though an option such as TIF or Bond financing and conventional senior debt provided by an institutional level construction lender. Current estimates call for approximately $2.7 million in equity, $6million in mezzanine financing and $9million in senior debt. Under the TIF scenario, the total private capital would be $11.7 million, while the municipal financing capital would total $6 million.

Potential Area Boundary Map



Preliminary Survey of Properties		
	Total	Highlighted
# of Parcels	146	19
Acres	149.8	56.63

Phase IA Proforma Model

Main Street, Bristol, Connecticut	**4/23/2014**			
Total # of Units	101			
Net Rentable Square Footage	67,310	91214 GSF		
Retail Square Footage	2,200			
Total S/F	69,510			

Sources of Funds:	Total	Per Unit	Per Sq. Ft.
Debt Financing	$9,000,000	$89,108.91	$98.67
Gap Financing	$6,000,000	$59,405.94	$65.78
Investor Equity	$2,721,000	$26,940.59	$29.83
Total Sources of Funds	**$17,721,000**	**$175,455**	**$194.28**
Uses of Funds:			
Acquisition Costs			
Land	$500,000	$4,950.50	$5.48
Pre-Development Costs/Approvals	$100,000	$990.10	$1.10
Total Acquisition Costs	**$600,000**	**$5,941**	**$6.58**
Hard Costs			
Construction Trade Costs	$14,521,000	$143,772	$159.20
Retail Space	Included		
Permits	Included	$0.00	
Salaries and Labor	Included		
GC Overhead and Profit	Included		
Contingency	Included%		
Total Hard Costs	**$14,521,000**	**$143,772**	**$159.20**
Soft Costs			
Architect and Engineer	$ 325,000.00	$ 3,217.82	$3.56
Appraisal and Market Study	$ 17,000.00	$ 168.32	$0.19
Environmental Reports	$ 7,000.00	$ 69.31	$0.08
Legal	$ 50,000.00	$ 495.05	$0.55
Title Cost and Recording	$ 25,000.00	$ 247.52	$0.27
Utility Hook Up Fees	$ 150,000.00	$ 1,485.15	$1.64
Builders Risk Insurance	$ 40,000.00	$ 396.04	$0.44
Marketing/FF&E	$ 80,000.00	$ 792.08	$0.88
Equity Due Diligence/Accounting	$ 25,000.00	$ 247.52	$0.27
Real Estate Taxes	$ -	$ -	$0.00
Lease-Up Reserve	$ 200,000.00	$ 1,980.20	$2.19
Development Fee	$ 900,000.00	$ 8,910.89	$9.87
Soft Cost Contingency	$ 181,000.00	$ 724.00	$1.98
Total Soft Costs	**$ 2,000,000.00**	**$ 18,733.90**	**$21.93**
Financing Costs			
Construction Loan Interest and Fees	$600,000	$2,500.00	$6.58
Total Financing Costs	**$600,000**	**$2,500**	**$6.58**
Total Development Costs	**$17,721,000**	**$175,455.45**	**$194.28**

Stabilized Operating Period Cash Flow Projections

4/23/2014

Main Street, Bristol, CT 67310 2200

4 Year Projection	3% Revenue Growth	Loan Assumed	$9,000,000	5.00%, 25 Yr. Am	
	3% Expense Growth				
		Year 1	**Year 2**	**Year 3**	**Year 4**
REVENUES:					
Gross Rental Income		1,494,282	1,539,110	1,585,284	1,632,842
Vacancy 5%		(74,714)	(76,956)	(79,264)	(81,642)
Other/Parking Income		20,000	20,600	21,218	21,855
Retail Income		26,400	26,400	26,400	26,400
Vacancy 10%		(2,640)	(2,640)	(2,640)	(2,640)
Projected Income		**1,463,328**	**1,506,515**	**1,550,998**	**1,596,815**
EXPENSES:					
General & Administrative					
Property Management Fee	3.5%	51,216	52,753	54,336	55,966
Asset Management Fee	1.0%	14,633	15,065	15,510	15,968
Accounting/Auditing		20,000	20,600	21,218	21,855
Office Supplies & Expense		8,000	8,240	8,487	8,742
Telephone Answering Service		3,600	3,708	3,819	3,934
		97,450	100,366	103,370	106,464
Payroll & Related					
Administrative Payroll		85,000	87,550	90,177	92,882
Maintenance Payroll		65,000	66,950	68,959	71,027
Fringe Benefits		28,000	28,840	29,705	30,596
		178,000	183,340	188,840	194,505
Utilities					
Electricity		55,000	56,650	58,350	60,100
Gas		25,000	25,750	26,523	27,318
Water & Sewer		8,000	8,240	8,487	8,742
		88,000	90,640	93,359	96,160
Maintenance & Repair					
Cleaning/Janitorial		40,000	41,200	42,436	43,709
Exterminating		2,700	2,781	2,864	2,950
Elevator		8,000	8,240	8,487	8,742
Fire Alarm Inspection		7,000	7,210	7,426	7,649
Grounds Maintenance		20,000	20,600	21,218	21,855
Snow Removal		25,000	25,750	26,523	27,318
Painting & Decorating		10,000	10,300	10,609	10,927
R&M		15,000	15,450	15,914	16,391
Garbage		20,000	20,600	21,218	21,855
HVAC Repair		12,000	12,360	35,000	36,050
		159,700	164,491	191,695	197,446
Marketing & Leasing					
Advertising		25,000	25,750	26,523	27,318
		25,000	25,750	26,523	27,318
Taxes & Insurance					
Insurance		35,350	36,411	37,503	38,628
Real Estate Taxes		121,200	124,836	128,581	132,439
		156,550	161,247	166,084	171,066
Operating Reserve		30,000	30,900	31,827	32,782
Total Annual Operating Expenses		734,700	756,734	801,698	825,742
Projected Net Operating Income		**728,628**	**749,781**	**749,300**	**771,073**
Debt Service (princ&int)		634,000	634,000	634,000	634,000
Debt Service Coverage Ratio		1.15	1.18	1.18	1.22
Net Cash Flow		**94,628**	**115,781**	**115,300**	**137,073**
Cash-on-Cash Return		**3.48%**	**4.26%**	**4.24%**	**4.28%**
Valuation Stabilized NOI @	**6.25%**	**11,658,050**	**11,996,501**	**11,988,798**	**12,337,171**

Phase IA Pro Forma Model

As shown in the pro forma model, the development team is estimating a total development cost for Phase IA of approximately $17.7 million. With revenues of approximately $1.5 million and expenses of approximately $730,000, the estimated net operating income before debt service is approximately $720,000 with a net cash flow after debt service that grows from approximately $95,000 to $137,000 per year. This results in a cash on cash return of between approximately 3.5 -4.5% for the first four years. While this significantly lower than the requirements of private equity, the local nature of the new development team allows for consideration of returns that are less than market. There are multiple reasons for this including intimate knowledge of local market economies and construction pricing as well as confidence in the rents needed and the overall vision for the downtown revitalization.

If the public/private partnership were to pursue bonding the gap in financing needed, then as discussed, it is anticipated that the **NEW** tax revenues from the project and increased values in the district (if TIF was employed), would be applied to debt service. Once the bond is paid off, then all future taxes for the life of the building would fall to the bottom line of the municipality. It is important to note that not only will the development spur significant real estate value creation and vibrancy, but the ancillary impacts to the businesses in downtown and the surrounding areas would be a significant additional driver for the local economy.

Shovels in the ground will not only accelerate investment in Depot Square, but will excite investment throughout the downtown.

Summary

As described earlier in this document, at this time, RDL has concluded that conventional financing methods will not be achievable for Phase IA of the Depot Square project and thus has explored other avenues for financing this phase of the revitalization. Below describes several of the alternate financing options that have been considered. While the door is open on many of these options, the current effort has shifted focus away from several of these avenues such as GO bonding and EB-5 financing .

General Obligation Bonds

General Obligation (GO) Bonds are municipal bonds backed by the credit and tax authority of the issuing jurisdiction as a whole, rather than the revenue from a given project or a given area. GO Bonds are issued with the belief that a municipality will be able to repay its debt obligation through revenue without using assets as collateral. Similar to the TIF Bond option, the GO Bond would be issued by the City and thereafter sold with the proceeds then used as mezzanine debt for the project's financing. At this time, and after analysis and consideration, RDL believes while this may be a less desirable bond strategy, the public private partnership should consider exploring this option for Phase IA of the Depot Square development.

EB-5 Financing

In Q4 2013, RDL and the City parties held several meetings in which they discussed the option of EB-5 financing. EB-5 financing is a program through which high net worth foreign investors invest low interest money into US projects that must create local US jobs. In exchange for these investments, single investors can procure favorable US immigration status. While this option can provide low interest gap financing, it was not seen as favorable to the partnership due in part to its medium financing procurement success rate and extended timing.

State Financing Assistance

In Q4 2013, RDL and the City parties held several meetings with multiple state agencies including the commissioners of the Department of Economic and Community Development and the Department of Housing. After investigating several state financing and grant program, the decision was made that this was a less probable route for the partnership to pursue.

That being said, with the door not yet closed, it is important to note that programs such as the states Competitive Housing Assistance for Multi-family Properties (CHAMP) program is an attractive alternative to explore for providing gap or mezzanine financing. The CHAMP program can provide up to $5 million in gap financing for projects and would typically require as little as 20% (or in this case approximately 20 of the units) to be workforce housing. Depending on the sources of funding that the CHAMP award is comprised of (ie. Housing Trust Fund Dollars or state FLEX dollars), the rents are very comparable to the market rate rents that the market demonstrates are achievable in downtown Bristol for the initial phase of development. In fact, depending on the mix of funding, rents can be within 10-20% of the market rate rents currently projected for Phase IA.

While this program timing is a challenge (as it typically only occurs twice a year), RDL feels that considering the challenges with rents and the need for gap financing, the public/private partnership should continue to explore this alternative.

On the following pages you will find research based on recent mixed-use projects in Connecticut and their comparative financing plans. Development in areas with lower area medium incomes and/or a lack of existing comparable product often require financing assistance especially in the early phases of the project.

Storrs Center

Mamsfield, CT *HOME OF UCONN**

Population: 15,344(CDP)
AMI: $29,030

Size: 20 acre mixed use development

• **Total Project Cost:** Penciled at $225 million

• **Public Funds:**

* $24+ million in public funding sources already committed for planning Storrs Road, the 660 space parking garage, as well as project infrastructure

Private: $200 MM

Public: $25 MM

Blue Back Square

West Hartford, CT

Population: 63,268

AMI:$76,256

Size: 20.7 acre mixed use development

Project Cost: Penciled at $159 million

Public Funds:

* $48.8 million non-obligation bonds (straight bonds) contributed by the City of West Hartford to underwrite key elements of project including two parking structures that the City would own and operate as well as improvements like construction of a park, streetscaping, and various building improvements.

Private: $110.2 MM

Public: $48.8 MM

Steel Point

Bridgeport, CT

Population: 146,425

AMI: $35,379

Size: 52 acre mixed use development

1st Phase Cost: Penciled at $68.5 million

Public Funds:

* $31+ million in public funding committed for planning infrastructure and buildout for retailer Bass Pro Shops' 140,000 sf facility
* $22 million TIF
* $9 million in grant

Private: $31 MM

Public: $37.5 MM

Greenway Commons

Southington, CT

Population: 63,268

AMI:$76,256

Size: 14 acre mixed-use development

Project Cost: Unspecified

Public Funds:

* $4.5+ million of public sources to help remediate former factory soil & for demolition.
* $1.5 million low interest loans to service TIF district
* $3 million grant for remediation

Private: N/A

Public: $4.5 MM

SUMMARY:

The team at Renaissance Downtowns conducted an exhaustive search for comparable 100+ unit multi-family housing projects in the central Connecticut region, developed in the past three years, in order to compare and contrast financial avenues traveled, and the reasons why those housing projects were able to obtain financing and head onto a path of success.

SOURCES EXPLORED:

Department of Housing and Urban Development (HUD)
Connecticut Housing Finance Authority (CHFA)
Partnership for Strong Communities (Connecticut housing advocates)
Multi Family Housing Executive Magazine (Housing industry magazine)
Speaking with Town Planners of regional municipalities

FINDINGS:

Upon concluding our research, RD discovered that there were only two multi-family housing projects of comparable size (100+ units) in the development stages in central Connecticut in the past three years. The first project is the Village at Poquanock in Windsor, CT. The project, according to Multi Family Executive Magazine, began site work last November by readying sewage infrastructure on the site of a 192 unit housing project, of which 42 units are a townhouse typology. The parcel exists outside of a downtown zone. In terms of market comparisons, area median income in Windsor is $77,037 as compared to $57,179 in Bristol, according to 2010 US Census data, allowing developers of Poquanock to justify higher rents and greater returns on investment.
The second is a 120 unit apartment project being developed in Farmington, CT off of Colt Highway targeting the young professionals that are anticipated to be hired with the development of a new medical center. Farmigtons' area median income is $80,564 as compared to $57,179 in Bristol, representing a nearly 30 percent higher AMI than that in Bristol.

LACK OF AREA PROJECTS:

The fact there are few projects in the central Connecticut region that have gone into the development stages in the past 3 years underscores the difficulty in economic and market conditions that stand in the way of streamlined development processes, and the difficulty in financing larger projects under such conditions.

CURRENTLY FINANCED DEALS:

While RD was only able to discover few recent multi-family projects in the development stages, RD's new development team member Martin Kenny of Lexington Partners LLC is involved in a 200+ unit multi-family housing project in Glastonbury, whose first phase is financed and moving forward.

HartfordBusiness.com, A rendering shows the developer's concept of the revitalized plant that would contain 33 apartments in a complex that also offers nearly 200 modern units.

As was the case in the Windsor project, the key differences in the reason why the Glastonbury project was able to receive conventional financing to build, and the Bristol project remains a challenge are as follows:

1.) Area Median Income in Glastonbury, CT is $96,884. This figure represents a roughly 41 percent increase of AMI over that of Bristol's ($57,179).

2.) Rents. Because of the higher AMI figures in Glastonbury, the development can justify higher rent rolls, and therefore more easily cover the cost of construction for new product, and produce an acceptable return on investment to investors and institutional lenders, while providing a necessary level of surety that the strength of existing market conditions under traditional development financing will help ensure a success.

Mr. Kenny is also involved in another project of 130+ units in Windsor's downtown, which has recently been approved. Mr. Kenny has developed many successful projects such as Trumbull on the Park, a very successful mixed-use development with 100 apartments located adjacent to Bushnell Park.

1. Renaissance's proposed financing, development and lease plan for the phases on which Renaissance intends to close, including a detailed explanation of the "subsidy" noted in the letter from Lexington Partners, and the status of any pre-leasing or secured retail tenants. Please also include the amount, source and terms of all financing including equity, with documentation of the status of commitments for all sources:

RDL Response

Financing & Development Plan—As detailed earlier in this submission, the development team feels that breaking the project into 2 sub-phases is the only way to execute the development. Even under a sub-phase strategy, the current residential and retail rents will only support a financing plan that includes soft/gap or mezzanine financing through a municipal bond issue or similar subsidy. The RDL team is currently recommending consideration of a GO backed TIF Bond process, but also feels that options such a CHAMP financing can potentially assist in filling the gap.

Leasing Plan—Currently the RDL team has procured significant residential and retail interest as described throughout the non confidential submission under separate cover. This process can begin to be formalized into residential and retail pre-leasing and can accelerate in earnest once a financing plan is in place.

Sources of Funding— As described earlier current estimates call for approximately $2.7 million in equity, $6million in mezzanine financing and $9million in senior debt. Under the TIF scenario, the total private capital would be $11.7 million, while the municipal financing capital would total $6 million. The RDL development team would be providing the equity and sourcing the construction loan through various local and regional banking relationships. With that in mind, until there is a determination as to the direction from which gap financing will be provided, construction loan/senior debt commitments will be limited to letters of interest, an example of which can be found on the following pages.

2. Whether and to what extent there will be any set-aside for low-income or workforce housing?

RDL Response

The only consideration at this time is for a potential workforce housing component and, as was explained earlier, due to the nature of the rental market in Bristol, rents are quite close to the projected market rate rents when pursuing funding such as the CHAMP program. In addition, the current thought is that approximately 20% of the units would fall under this category if this, or a similar option was pursued.

3. An updated site plan of the Phases on which Renaissance intends to close:

RDL Response

See pages 14-17

4. Any requested modifications to the Final Concept Plan previously approved by the Board:

RDL Response

See pages 14-17

5. The plans for the piazza:

RDL Response

See pages 14-17

6. A copy of the subdivision plan approved by the Planning and Zoning Commission and an explanation of why it was subdivided into 3 parcels;

RDL Response

The subdivision of the property was necessary to divide parcels that will 1) Serve as the takedown of the initial development phase, 2) Serve as part of the parking for initial development phases and, 3) divide out the remainder of the development site. RD will provide a copy of the subdivision plan which may be subject to further lot line revisions once phasing is finalized.

7. A complete description of the proposed program mix for any Phases on which Renaissance intends to close along with a demonstration of how the program mix meets the requirements of the PDA for an initial closing:

RDL Response

See pages 14-17 for the phasing. Regarding the minimum requirements for Phase I, this will require further discussion among the partnership as RD is introducing the concept of sub-phases.

8. A detailed explanation of the ownership structure/partnership that intends to close on the land, whether such structure is for only the particular phases on which Renaissance intends to close, or for the entire Project, and a demonstration that such a structure meets the ownership requirements of the PDA (i.e., Renaissance/Don Monti retaining 50% ownership):

RDL Response

The current intention is that the development team will finalize its structure once a financing plan is not executed, but agreed upon. The structure will be impacted by the required equity, which in turn is impacted by the financing strategy acceptable to the partnership. There is a possibility that RD will be looking for relief on the assignment requirements, but this will require further review once a financing plan is in place. If relief is required, RD is confident that the additional development team member will meet the criteria for consideration.

9. An artist rendering of the proposed construction:

RDL Response

See pages 14-17

10. A detailed schedule for the proposed construction:

RDL Response

Until a financing path is acceptable to the partnership, it is difficult to estimate the timing for construction start. That said, in light of the timing of the next milestone in the PDA, the development team will likely be asking for an extension to the initial closing date. However, at this time, it is not anticipated that there will be need for delays to the construction start date. Regarding construction of Phase IA, the current estimate is an 18 month construction timeline.

11. The plan for subsequent Phases of development:

RDL Response

No changes are currently anticipated for future phases

12. An explanation of the construction being "of institutional grade quality," as set forth in the letter from Lexington Partners:

RDL Response

As shown in the cost estimates, the team has estimated the use of high quality construction materials and finishes to both the interior and exterior of the building. This is the connotation referred to in the “institutional grade quality” statement.

Eastern Bank

265 Franklin Street
Boston, MA 02110-3120

March 13, 2014

Ryan Porter
Renaissance Downtowns, LLC
9 Gerhard Road
Plainview, NY 11803

Dear Ryan,

It has been a pleasure discussing Phase I of the Depot Square project (the "Project") in Bristol with you over the past few weeks. Simply put, the Depot Square master plan represents a once-in-a-generation opportunity for Bristol to build a thriving, mixed-use downtown that will improve the city's competitive position among its peers and provide tremendous potential for future economic growth.

We have reviewed the extensive materials you provided us in regards to the Project's background, proposed capital structure, and operating projections. Based on this initial review, we are interested in continuing to discuss with you the potential for Eastern Bank to provide construction and permanent financing. Throughout our discussions, a number of questions have arisen regarding the Project's proposed capital stack, ownership structure, and operational assumptions, some of which I will outline here:

- Based on our initial internal conversations, the Bank would be interested in providing construction financing of up to 65% of the Project's total development cost. The remaining 35% (approximately $14.3 million based on the current budget, assuming Phase I is fully built out) would be sourced from a combination of developer/partner equity and/or other sources.
- Additional funding sources that we have identified that may be available to supplement partnership equity include proposed Tax Increment Financing (TIF) in conjunction with the City of Bristol, mezzanine/junior financing from Boston Community Loan Fund (BCLF), and a grant or low-interest subordinate loan provided through the Connecticut Housing Assistance for Multifamily Properties (CHAMP) program via the Connecticut Department of Economic and Community Development (DECD). We strongly encourage you to consider these and other possible low or no-interest funding sources.
- The inclusion of low or no-interest funding sources will also provide some flexibility with regards to the Project's operating assumptions. Current assumptions for gross rents at the Project are, on a per square foot basis, slightly above the estimates provided by Zimmerman Volk Associates in its 2013 update. Our underwriting will likely assume that rents achieved by the project will be equivalent to the rents demonstrated in a market study. It is important to keep in

mind that our underwriting guidelines stipulate a minimum debt service coverage ratio of 1.25:1.00.

- We encourage you to consider breaking down Phase I into two "sub phases", where the first building constructed would be as close to 100% residential as possible. Given that the Project represents a new type of residential product in an area that hasn't seen substantial market-rate (and non age-restricted) apartment or retail construction in many years, we feel that a phased introduction of a large number of units would improve our ability to underwrite the proposed debt.

We believe these issues can be readily addressed through collaboration with potential equity partners and by truly leveraging your public/private partnership with the City of Bristol. Overall, we view this Project as being highly feasible and well positioned to take advantage of growing interest in downtown living, especially among younger professionals. We look forward to working with you to move this exciting project forward.

Please do not hesitate to contact me if you have any questions.

Kind Regards,

Christopher W. Scoville
Vice President
Community Development Lending

Summary

In an effort to develop the Depot Square project, RD has been meeting with and pursuing financing opportunities of all shapes and sizes. While RD has been marketing the Depot Square Development since late 2012, financing efforts were hampered by several challenges that still faced the project, including the completion of Phase I site planning efforts and the relocation of the old McDonald's. In early 2013, the public/private partnership achieved Phase I site plan approval and solidified the McDonalds relocation.

RD's approach to financing has included exploring local, regional and national opportunities with multi-family/mixed-use development partners and private equity and institutional lenders/equity companies. Unfortunately, most national companies have required return parameters that are simply not achievable in the Bristol market as discussed earlier.

Locally, RD has built relationships with developers that have considerable experience in multi-family development in the Connecticut, and more specifically the Central Connecticut markets. The current development team of Renaissance, D'Amato and Lexington partners brings a significant breadth of experience and track records to the table to execute the initial phase of development. RDL is excited to work with the BDDC and City of Bristol to move this development to the next stage and continue the revitalization of Downtown Bristol.

Potential Next Steps

- Meet to further discuss details on strategy outlines
- Determine bond strategy acceptance
- If acceptable, begin working in earnest on bonding parameters, negotiations and approvals
- Make minor amendments to current site civil plans
- Determine and execute necessary and acceptable PDA amendments